



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
PRIVATE SECTOR COMPETITIVENESS
APPROVED ON MAY 10, 2012
TO
REPUBLIC OF TAJIKISTAN

FINANCE, COMPETITIVENESS AND INNOVATION

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

ACH	Automated Clearing-House
CoR	Collateral Registry
CPI	Competitiveness Partnership Initiative
DRS	Districts of Republican Subordination
EITI	Extractives Industries Transparency Initiative
FY	Financial Year
ICT	Information and Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
IP	Implementation Progress
MS	Moderately Satisfactory
MU	Moderately Unsatisfactory
NBT	National Bank of Tajikistan
OSS	One-Stop Shop
PDO	Project Development Objective
PMU	Project Management Unit
PSCP	Private Sector Competitiveness Project
RFP	Request for Proposals
RTGS	Real-time Gross Settlement
SCISPM	State Committee on Investment and State Property Management
SESA	Strategic Environmental and Social Assessment
SOE	State-owned Enterprises
WBG	World Bank Group
XDR	Special Drawing Rights (currency code)



BASIC DATA

Product Information

Project ID P130091	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 10-May-2012	Current Closing Date 30-Jun-2018

Organizations

Borrower Republic of Tajikistan	Responsible Agency Ministry of Finance, State Investment and Property Management Committee
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Project Development Objective (PDO)

Original PDO

The development objective of the project is to remove key constraints to business development and investment by: (i) simplifying business registration and construction permitting processes; (ii) improving regulations and infrastructure underlying access to financial services; and (iii) encouraging development of the mining industry, where Tajikistan has a competitive advantage.

Current PDO

The development objective of the project is to foster increased efficiency in key areas that influence private sector competitiveness, including business registration, infrastructure underlying access to financial services, and the mining industry.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-H7710	10-May-2012	08-Jun-2012	06-Sep-2012	30-Jun-2018	10.00	5.35	3.88



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

Note to Task Teams: End of system generated content, document is editable from here.

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

Project status

1. The Board approved the Tajikistan Private Sector Competitiveness Project in May 2012, and it became effective in September 2012. The total lending amount is USD 10 million for five components: (1) Competitiveness and Development of the Mining Industry; (2) Business Registration; (3) Institutional Strengthening to Support a 'Single Window' for Construction Permits; (4) Improvement of Financial Infrastructure; and (5) Project Management. The original closing date was December 31, 2016. The current closing date is June 30, 2018.
2. The most recent ISR (dated May 23, 2018) rates the project Moderately Unsatisfactory for both Project Development Objective (DO) and Implementation Progress (IP), given low likelihood of reaching the DO by the June 2018 closing date and the relatively slow IP, particularly on component 1 (Extractive Industries Transparency) and component 4 (Financial Infrastructure). To date, the project has disbursed USD 5.3 million. Disbursement has increased by 24 percent in the past 9 months, up from USD 4.04 million in September of 2017. Disbursement increases were driven largely by development and conducting trainings for implementing agencies and signed contracts for software and hardware for financial infrastructure component.
3. The project has achieved progress in several areas, including reducing the time to start a business, creating a single window system for construction permits (which will become fully operational in summer 2018), establishing a modernized mining cadaster now covering 60 percent of the overall claims, and issuing five new mining exploration licenses. The project has also supported the analysis and review of several laws and regulations affecting the mining sector, access to finance, and the business environment. The banking regulatory framework and bank supervision improved considerably.
4. Component 1 has advanced in several areas (disbursing 75 percent of USD 3.8 million). The government has, however, not yet approved the Subsoil Law to align the mining sector with international best practices on environmental and social standards among other things. Also, the Extractive Industries Transparency Initiative (EITI) has suspended Tajikistan. The Ministry of Finance has requested additional resources to ensure compliance with the EITI standards, which are already under the same Category 1 and could be disbursed from the existing funds under the same Component 1.
5. Component 4 has also made progress (disbursing 12 percent of USD 0.5 million). It has supported the law "On Payment Services and Payment Systems" was approved on March 2, 2017. The National Bank of Tajikistan (NBT) has also developed and adopted instruction on licensing of payment systems operators, and regulation agency banking that derives from the above-mentioned Payment System law. The Lower Chamber of the Parliament approved amendments to the laws "On Banking Activity", "National Bank of Tajikistan" and "Individual Deposit Unsurance Fund". However, implementing the payment system infrastructure component (i.e., progress on the installation of a core payments infrastructure) has been delayed by the decision to replace the existing real-time gross settlement (RTGS) by an Automated Transfer System (ATS+). The contract for the payment system database is now under implementation, and it is expected that completing will be in May 2019.



6. The government and implementing agencies' performance remains satisfactory, and there are no outstanding audits. The government has taken steps to improve implementation and agreed with the WB on actions required to complete the project by the new closing date (December 31, 2019). In the past two years, the PMU has improved the implementation and coordination among all implementation agencies of the Project. Although the pace of implementation and disbursement is still lagging, the team welcomes the PMU's efforts to accelerate the activities that will lead to implementation, and particularly the PMU's acceleration of procurement activities during the past six months.
7. Two previous restructurings extended the project by 18 months. The Board approved a level-1 restructuring on August 27, 2014. The restructuring introduced changes to the DO, results framework, components, costs, and disbursement categories. The first restructuring also extended the closing date by 9 months (from December 31, 2016 to September 30, 2017). The second (level-2) restructuring, approved on November 25, 2016, introduced changes to the results framework (two intermediate indicators) and extended the closing date by an additional 9 months (from September 30, 2017 to June 30, 2018).

Rationale for restructuring

8. The objective of the proposed restructuring is to enable the government to complete on-going and planned activities needed to fully achieve the Project DO of increasing private sector competitiveness in Tajikistan, including accelerating business registration, completing the construction permit system, improving the infrastructure underlying access to financial services, and reforming the mining industry regulatory framework. The project team assures management that, with these changes, the PDO remains achievable.
9. The government requested the restructuring via a letter dated May 25, 2018, in which the Ministry of Finance proposed to (a) extend the project closing date by 18 months and (b) reallocate funds.
10. The project restructuring will also allow reallocating realized cost savings. The cost savings fall under three components: USD 299,037 in component 1, USD 59,917 in component 2, and USD 494,282 in component 4. The proposed reallocation would use some of the cost savings under components 1, 2, and 4 to make up for funding deficits under components 3 and 5. Reallocating the IDA funds from components with savings to those that need further financing would be a minor adjustment, in line with actual requirements of the project.

II. DESCRIPTION OF PROPOSED CHANGES

11. In summary, the proposed level-2 restructuring would (1) reallocate funding between disbursement categories, (2) adjust the budgets for some components, (3) revise the results framework, (4) extend the closing date, and (5) realign the implementation schedule. It would be the third restructuring under the project and the third extension of the closing date. Because the accumulated extensions would surpass the threshold of 24 months (reaching 30 months in total), the proposed restructuring requires RVP approval.
12. In more detail, we propose to:
 - a. Reallocate IDA funds between disbursement categories as follows:
 - SDR 148,000 (USD 200,000 or 5.9 percent of the original amount) from Category 1 to Category 3 to cover expenses for the full provision of equipment to the One-Stop-Shop under the Contracting and Architecture Committee under component 3.



- SDR 74,000 (USD 100,000 or 11.8 percent of the original amount) from Category 2 to Category 5 to cover additional costs for project management under component 5; and
 - SDR 140,000 (USD 189,000 or 4.2 percent of the original amount) from Category 4 to Category 5 to cover additional costs for project management under component 5.
- b. Move budget from some components to those that need additional funding as detailed in the table in Section IV;
- c. Revise the results framework to adjust the achievement dates to reflect the proposed extended closing date (i.e., December 31, 2019);
- d. Extend the project closing date by 18 months from June 30, 2018 to December 31, 2019 in order to align with the new dates by which the project will complete the components and achieve the targets; and

Realign the implementation schedule to complete all activities by the new closing date.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Change in Implementation Schedule	✓	
Change in Implementing Agency		✓
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Change in Disbursements Arrangements		✓
Change in Disbursement Estimates		✓
Change in Overall Risk Rating		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓



Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓
Change in Economic and Financial Analysis		✓
Change in Technical Analysis		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Indicator One: Time spent on business registration Unit of Measure: Days Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	24.00	5.00	5.00	No Change
Date	01-Jul-2012	09-Jun-2017	30-Jun-2018	
Indicator Two: Lending based on new registration of security interests in the new collateral registry using moveable assets as collateral Unit of Measure: Amount(USD) Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20000000.00	Revised
Date	01-Jul-2012	19-Jun-2018	31-Dec-2019	
Indicator Three: Modern Automated Transfer System (ATS) and module of financial instruments for interbank transactions operational Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Not in existence	In Progress	System installed and operational and all	Revised



			relevant staff trained to use it.	
Date	01-Jul-2012	19-Jun-2018	31-Dec-2019	
Indicator Four: Legal and regulatory framework to improve bank supervision is developed, adopted, and implemented				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	7.00	Revised
Date	01-Jul-2012	19-Jun-2017	31-Dec-2019	
Indicator Five: Number of new mining exploration licenses issued				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	3.00	4.00	10.00	Revised
Date	01-Jul-2012	21-Jun-2018	31-Dec-2019	

Intermediate Indicators

Intermediate Result indicator One: Number of staff of Statistics Agency, Social Insurance Agency, and Tax Committee trained				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	35.00	30.00	Revised
Date	13-May-2014	19-Jun-2018	31-Dec-2019	
Intermediate Result indicator Two: Number of construction permits obtained via single window				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	15.00	Revised
Date	09-Nov-2016	19-Jun-2018	31-Dec-2019	



Intermediate Result indicator Three: Regulatory framework to improve payment system is developed and implemented
 Unit of Measure: Number
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	4.00	6.00	7.00	Revised
Date	01-Jul-2012	19-Jun-2018	31-Dec-2019	

Intermediate Result indicator Four: Contingency planning and crisis management framework adopted and implemented
 Unit of Measure: Text
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	No		Simulation exercise adopted and periodic reports published	Revised
Date	01-Jul-2012	19-Jun-2018	31-Dec-2019	

Intermediate Result indicator Six: Share of geological surveys in electronic form on Modern System
 Unit of Measure: Percentage
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	10.00	70.00	Revised
Date	01-Mar-2012	19-Jun-2018	31-Dec-2019	

Intermediate Result indicator Seven: Share of existing and new claims in the Mining Cadastre on new system
 Unit of Measure: Percentage
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	60.00	Revised
Date	01-Mar-2012	19-Jun-2018	31-Dec-2019	

Intermediate Result Indicator Eight: Direct Project Beneficiaries
 Unit of Measure: Number
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	50000.00	Revised



Date	01-Mar-2012	19-Jun-2018	31-Dec-2019
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Female Project Beneficiaries Unit of Measure: Percentage Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	10.00	No Change

Intermediate Result Indicator Nine: Adoption of the new Subsoil Law Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No	Third revision of the draft Subsoil Law	Yes	Revised
Date	15-Nov-2016	19-Jun-2017	31-Dec-2019	

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Encouraging competitiveness and development of the mining industry	3.38	Revised	Encouraging competitiveness and development of the mining industry	3.18
Strengthening business registration systems and processes	0.85	Revised	Strengthening business registration systems and processes	0.75
Institutional strengthening to support a single window for Construction Permits	0.60	Revised	Institutional strengthening to support a single window for Construction Permits	0.82
Improvement of Financial Infrastructure	4.52	Revised	Improvement of Financial Infrastructure	4.32
Project Management	0.65	Revised	Project Management	0.93
TOTAL	10.00			10.00



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-H7710	Effective	31-Dec-2016	30-Sep-2017, 30-Jun-2018	31-Dec-2019	30-Apr-2020

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-H7710-001 Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: G, non-CS, CS, TR - PART 1			
	2,200,000.00	1,639,814.12	2,052,000.00		100
iLap Category Sequence No: 2		Current Expenditure Category: G, non-CS, CS, TR - PART 2			
	550,000.00	397,338.75	476,000.00		100
iLap Category Sequence No: 3		Current Expenditure Category: G, non-CS, CS, TR - PART 3			
	400,000.00	413,540.50	548,000.00		100
iLap Category Sequence No: 4		Current Expenditure Category: G, non-CS, CS, TR - PART 4			
	2,930,000.00	363,805.86	2,790,000.00		100
iLap Category Sequence No: 5		Current Expenditure Category: G, non-CS, CS, IOC, TR - PART 5			
	420,000.00	482,126.49	634,000.00		100
Total	6,500,000.00	3,296,625.72	6,500,000.00		



The World Bank

Private Sector Competitiveness (P130091)
